IN THE

Supreme Court of the United States

October Term, 1945

No. 202

THE STANDARD REGISTER COMPANY,
Petitioner,

vs.

AMERICAN SALES BOOK COMPANY, INC.,
Respondent.

PETITION FOR REHEARING OF PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

SAMUEL E. DARBY, JR.,
Counsel for Petitioner.

W. B. TURNER,
MARSTON ALLEN,
Of Counsel.

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To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Now comes your petitioner, and prays this Honorable Court for a rehearing of its petition for a writ of certiorari in the above entitled cause, which was denied by this Court on October 8th, 1945.

This petition is presented because it is feared that this Court did not have brought forcibly enough to its attention the far reaching consequences of allowing the judgment of the Court of Appeals below to stand without review of all of the facts involved in the case, and consideration, in the light thereof, of the extremely harmful effects upon the

industries of the nation that may and probably will flow therefrom.

As stated in the petition, this case is one of first impression in this Court.

A *patent* right consistently has been held by this Court to constitute a *property* right (*Hartford Empire et al.* v. *United States,* Ad. Op. 89 L. Ed. 302). A patent right consists of no more nor less than the right of exclusion which can be made effective only by suit for infringement. It inevitably follows that to deprive a patent owner of his right to exclude—his right to enjoin an infringer—is to deprive the patent owner of his property rights. The Fifth Amendment to the Constitution, as consistently construed by this Court, prevents depriving one of his property rights without due process of law.

This Court, with entire propriety, and motivated by the public interest, has created what is now known as the "improper use" doctrine which deprives a patent owner of the right to enforce his patent if the patent has been used for an illegal purpose or in a manner which is contrary to the public interest. The far reaching legal and economic consequences of extending this judicially created doctrine, justified by the police powers of the Government, to a situation such as is here presented, *where the right of exclusion of the patent grant has not been used at all,* should, we believe, give pause to a denial of the petition for writ of certiorari in this case, where such denial leaves undisturbed a judgment of an Appellate Tribunal which is capable of having that effect.

Since the enactment of the patent statute a patent grant, used properly as a means to enforce its exclusivity, has imposed a restraint in trade or commerce in the commodity covered by the patent. This was intended by the patent statute, and was accepted as a *reasonable* restraint of trade

and commerce despite the broad, underlying public interest expressed in the theorem of free trade and commerce.

Indeed, every sale, contract, lease, or business transaction in some manner and to some extent inevitably constitutes a restraint in trade or commerce to the extent of such transaction. But these daily transactions, too, were regarded as *reasonable* restraints, necessary for normal conduct of businesses. In consequence, early in judicial administration of our federal laws, it was recognized and announced that *reasonable* restraint in trade and commerce was neither illegal nor contrary to the underlying public interest. To the contrary, it was only such restraints as were *unreasonable* that were condemned (*Standard Oil Co. v. U. S.*, 221 U. S. 1, 62).

In the present case no one has suggested—*and neither of the Courts below made any finding*—that the restraint petitioner is assumed to have imposed upon its customers by the lease agreement it made therewith is an *unreasonable* restraint, either illegal *per se* or contrary to the public interest.

The essence of the situation here involved is that petitioner owns a patent for a mechanical device, which device it loans, without charge, to its customers under an agreement which requires the customer to return the device to petitioner when he ceases to be a customer. It is obvious on the face of things that if petitioner owned no patent, such a transaction would be legal and proper, because it would not be violative of any legal, ethical, or business principle known today. However, the effect of the decision of the Court of Appeals below in this case is that because petitioner does own a patent on the device, its ordinary business transaction, *legal and proper per se*, becomes not only illegal but also so improper that petitioner is deprived of its property right in the patent—its right of exclusion of a de-

liberate infringer—even though petitioner has not, either by threat or suit, used the patent as a means of getting or maintaining any of its customers, or of excluding competition by others with any of its customers, which, alone, expressly constituted the "improper use" of patent rights so characterized and condemned by every "improper use" case heretofore decided by this Court. It is because petitioner in this case has *not* done, and under its lease agreement was *incapable* of doing, *any* of the things with which the patent owners in the prior "improper use" cases were found by this Court to have done, that the present case is completely distinguished from those cases, and makes the issue of this case one of first impression in this Court.

As a result, not only has the ownership of a patent right become a *liability,* but, also, the patent owner has been deprived of his property rights—his ownership of the right to exclude—without due process of law.

It is believed that the foregoing considerations will make it abundantly clear to the Court why, from the importance of the matter to American industry which is built upon patent rights, and which, factually, constitutes the overwhelming majority of American industry today, this Court should reconsider its action denying writ of certiorari in this case, and give all patent owners of the years to come the benefit of this Court's careful consideration and judgment on the important question here presented.

Conclusion.

Wherefore, petitioner earnestly prays that its petition for writ of certiorari be reconsidered, the petition be granted, and the case reviewed by this Court.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
Counsel for Petitioner.

W. B. TURNER,
MARSTON ALLEN,
Of Counsel.

Dated: New York, New York,
October 31, 1945.

Certificate.

I hereby certify that the foregoing petition is presented in good faith and not for the purpose of delay.

SAMUEL E. DARBY, JR.